



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING –  
FEDERAL HOUSING COMMISSIONER

**Date: September 10, 2020**

**Mortgagee Letter 2020-30**

**To:** All FHA-Approved Mortgagees  
All Direct Endorsement Underwriters  
All Eligible Submission Sources for Condominium Project Approvals  
All FHA Roster Appraisers  
All FHA-Approved 203(k) Consultants  
All HUD-Approved Housing Counselors  
All HUD-Approved Nonprofit Organizations  
All Governmental Entity Participants  
All Real Estate Brokers  
All Closing Agents

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**Subject** FHA Underwriting Guidelines for Borrowers with previous Mortgage Payment Forbearance

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**Purpose** The purpose of this Mortgagee Letter (ML) is to inform Mortgagees of FHA's underwriting guidelines for mortgages involving Borrowers who were granted a Previous Mortgage Forbearance on the subject property or other residence.

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**Effective Date** The provisions of this ML may be implemented immediately but must be implemented for case numbers assigned on or after November 9, 2020.

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**Public Feedback** HUD welcomes feedback from interested parties for a period of 30 calendar days from the date of issuance. To provide feedback on this policy document, please send feedback to the FHA Resource Center at [answers@hud.gov](mailto:answers@hud.gov). HUD will consider the feedback in determining the need for future updates.

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**Affected Programs** This guidance applies to FHA Title II Single Family Forward mortgage programs only.

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## Mortgagee Letter 2020-30, Continued

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The policy updates in this ML supersede the requirements in Handbook 4000.1 where they conflict.

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### **Background**

When a borrower experiences significant reduction in income due to either a Presidentially Declared major disaster, or some other hardship including the COVID-19 National Emergency that may prevent them from making the required mortgage payment under the terms of the Note, servicers may offer the borrower a Mortgage Payment Forbearance Plan as one of the Home Retention Options to avoid foreclosure. Forbearance Plans are arrangements between a Mortgagee and Borrower that may allow for a period of reduced or suspended payments and may provide specific terms for repayment.

HUD recognizes the adverse impacts of such extenuating circumstances on borrowers' ability to recover and resume meeting their financial obligations and that, upon successful completion of the Forbearance, there may be the need and the opportunity for the borrower to refinance the existing mortgage to a lower interest rate, thereby lowering the monthly mortgage payment, or to a shorter term. Additionally, borrowers may seek to purchase another property in accordance with FHA eligibility requirements. To maintain the stability of the Mutual Mortgage Insurance Fund (MMIF), while concurrently aiding the housing market generally, FHA is expanding its underwriting guidelines to address Housing Obligations/Mortgage Payment History requirements for borrowers who were granted Forbearance and are seeking new FHA insured financing.

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### **Summary**

Generally, a borrower who was granted Mortgage Payment Forbearance is eligible for a new FHA insured mortgage provided:

1. The borrower continued to make regularly scheduled payments and the Forbearance Plan is terminated, or
2. For Cash-Out refinances, the borrower has completed the Forbearance Plan and made at least 12 consecutive monthly payments post forbearance; or
3. For Purchase and No Cash-Out refinances, the borrower has completed the Forbearance Plan and made at least three consecutive monthly payments post forbearance; or
4. For Credit Qualifying Streamline refinance, the borrower has completed the Forbearance Plan and made less than three consecutive monthly payments post forbearance; and
5. For all Streamline refinance transactions, the borrower has made at least six payments on the FHA-insured mortgage being refinanced (where the FHA insured Mortgage has been modified after forbearance, the Borrower must have made at least six payments under the Modification).

## Mortgagee Letter 2020-30, Continued

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These policy changes for borrowers with previous Mortgage Payment Forbearance will be incorporated into applicable sections of Handbook 4000.1 as detailed in the next section of this ML.

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### Single Family Housing Policy Handbook 4000.1

### Housing Obligations/Mortgage Payment History (TOTAL), (II.A.4.b.iii(K))

#### (1) Definition

Housing Obligation/Mortgage Payment refers to the monthly payment due for rental or Properties owned.

A Mortgage Payment is considered delinquent if not paid within the month due.

A Borrower who was granted a Mortgage Payment Forbearance and continues to make payments as agreed under the terms of the original Note is not considered delinquent or late and shall be treated as if not in forbearance provided the Forbearance Plan is terminated at or prior to closing.

#### (2) Standard

##### (a) Late Mortgage Payments for Purchase and No Cash-Out Refinance

The Mortgage must be downgraded to a Refer and manually underwritten if any mortgage trade line, including mortgage line-of-credit payments, during the 12 months prior to case number assignment reflects:

- three or more late payments of greater than 30 Days;
- one or more late payments of 60 Days plus one or more 30-Day late payments;
- one payment greater than 90 Days late, or
- that the borrower has made less than 3 consecutive payments since completion of a mortgage forbearance plan.

For both Purchase and No Cash-Out Refinance transactions, a Mortgage that has been modified must utilize the payment history in accordance with the modification agreement for the time period of modification in determining late housing payments. In addition, where a Mortgage has been modified, the Borrower must have made at least six payments under the modification agreement to be eligible for a No-Cash Out Refinance.

A Mortgage that has been granted forbearance must utilize the payment history in accordance with the Forbearance Plan for the time period of forbearance in determining late housing payments. Where any mortgage in forbearance will remain open after the closing of the new FHA insured mortgage, the Forbearance Plan must be terminated at or prior to closing.

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## Mortgagee Letter 2020-30, Continued

Any Borrower who is granted a forbearance and is otherwise performing under the terms of the Forbearance Plan is not considered to be delinquent for purposes of credit underwriting.

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### Single Family Housing Policy Handbook 4000.1 (continued)

#### **(b) Cash-Out Refinance Transactions**

The Mortgage must be downgraded to a Refer and manually underwritten if any mortgage trade line, including mortgage line-of-credit payments, reflects:

- a current delinquency;
- any delinquency within 12 months of the case number assignment date; or
- the borrower has made less than 12 consecutive monthly payments since completion of a mortgage forbearance plan.

A Mortgage that has been modified must utilize the payment history in accordance with the modification agreement for the time period of modification in determining late housing payments.

Where a Borrower who was granted a mortgage payment forbearance and continues to make payments as agreed under the terms of the original note, the Mortgage is not required to be downgraded to a Refer provided the Forbearance Plan is terminated at or prior to closing.

#### **(3) Required Documentation**

Where a mortgage reflects payments under a Modification or Forbearance Plan within the 12 months prior to case number assignment, the Mortgagee must obtain:

- a copy of the Modification or Forbearance Plan; and
- evidence of the payment amount and date of payments during the agreement term.

A Forbearance Plan is not required if the forbearance was due to the impacts of the COVID-19 National Emergency.

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### **Payment History on Housing Obligations (Manual), (II.A.5.a.iii(C))**

#### **(1) Definition**

Housing Obligation/Mortgage Payment refers to the monthly payment due for rental or Properties owned.

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## Mortgagee Letter 2020-30, Continued

A Mortgage Payment is considered delinquent if not paid within the month due.

A Borrower who was granted a Mortgage Payment Forbearance and continues to make payments as agreed under the terms of the original Note is not considered delinquent or late and shall be treated as if not in forbearance provided the forbearance is terminated at or prior to closing.

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### **(2) Standard**

The Mortgagee must determine the Borrower's Housing Obligation payment history through:

- the credit report;
- verification of rent received directly from the landlord (for landlords with no Identity of Interest with the Borrower);
- verification of Mortgage received directly from the Servicer; or
- a review of canceled checks that cover the most recent 12-month period.

The Mortgagee must verify and document the previous 12 months' housing history. For Borrowers who indicate they are living rent-free, the Mortgagee must obtain verification from the property owner where they are residing that the Borrower has been living rent-free and the amount of time the Borrower has been living rent free.

For both Purchase and No Cash-Out Refinance transactions, a Mortgage that has been modified must utilize the payment history in accordance with the modification agreement for the time period of modification in determining late housing payments. In addition, where a Mortgage has been modified, the Borrower must have made at least six payments under the Modification Agreement to be eligible for a No-Cash Out Refinance.

A Mortgage that was subject to Mortgage Payment Forbearance must utilize the Mortgage Payment History in accordance with the Forbearance Plan for the time period of the Forbearance in determining late housing payments.

Any Borrower who is granted a forbearance and is otherwise performing under the terms of the Forbearance Plan is not considered to be delinquent for purposes of credit underwriting.

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### **(3) Required Documentation**

Where a mortgage reflects payments under a Modification or Forbearance Plan within the 12 months prior to case number assignment, the Mortgagee must obtain:

- a copy of the Modification or Forbearance Plan; and

## Mortgagee Letter 2020-30, Continued

- evidence of the payment amount and date of payments during the forbearance term.

A Forbearance Plan is not required if the forbearance was due to the impacts of the COVID-19 National Emergency.

### Single Family Housing Policy Handbook

#### 4000.1

*(continued)*

### Cash-Out Refinances (II.8.A.d.v(A)(2))

#### (2) Payment History Requirements

##### (a) Standard

The Mortgagee must document that the Borrower has made all payments for all their Mortgages within the month due for the previous 12 months or since the Borrower obtained the Mortgages, whichever is less.

Additionally, the payments for all Mortgages secured by the subject Property must have been paid within the month due for the month prior to mortgage Disbursement.

Properties with Mortgages must have a minimum of six months of Mortgage Payments. Properties owned free and clear may be refinanced as cash-out transactions.

A Borrower who was granted Mortgage Payment Forbearance must have:

- Completed the Forbearance Plan on the subject property; and
- Made at least twelve (12) consecutive mortgage payments within the month due on the mortgage since completing the Forbearance Plan.

##### (b) Required Documentation

If the Mortgage on the subject Property is not reported in the Borrower's credit report or is not in the name of the Borrower, the Mortgagee must obtain a verification of Mortgage, bank statements or other documentation to evidence that all payments have been made by the Borrower in the month due for the previous 12 months.

Where a mortgage reflects payments under a Modification or Forbearance Plan within the 12 months prior to case number assignment, the Mortgagee must obtain:

- a copy of the Modification or Forbearance Plan; and
- evidence of the payment amount and date of payments during the forbearance term.

A Forbearance Plan is not required if the forbearance was due to the impacts of the COVID-19 National Emergency.

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### Single Family Housing Policy Handbook 4000.1

(continued)

#### Rate and Term (II.A.8.d.vi(A)(1)(b))

##### (b) Payment History Requirements

###### (i) Standard

For all mortgages on all properties with less than six months of Mortgage Payment history, the Borrower must have made all payments within the month due.

For all mortgages on all properties with greater than six months history, the Borrower must have made all Mortgage Payments within the month due for the six months prior to case number assignment and have no more than one 30-Day late payment for the previous six months for all mortgages.

A Borrower who was granted Mortgage Payment Forbearance must have:

- Completed the Forbearance Plan on the subject property; and
- Made at least three consecutive mortgage payments within the month due on the mortgage since completing the Forbearance Plan.

The Borrower must have made the payments for all Mortgages secured by the subject Property for the month prior to mortgage Disbursement.

###### (ii) Required Documentation

If the Mortgage on the subject Property is not reported in the Borrower's credit report, the Mortgagee must obtain a verification of Mortgage to evidence payment history for the previous 12 months.

Where a mortgage reflects payments under a Modification or Forbearance Plan within the 12 months prior to case number assignment, the Mortgagee must obtain:

- a copy of the Modification or Forbearance Plan; and
- evidence of the payment amount and dates of payments during the Forbearance term.

A Forbearance Plan is not required if the forbearance was due to the impacts of the COVID-19 National Emergency.

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*(continued)*

**(B) Simple Refinance (II.A.8.d.vi(B)(1)(b))**

**(b) Payment History Requirements**

**(i) Standard**

For all mortgages on all properties with less than six months of Mortgage Payment history, the Borrower must have made all payments within the month due.

For all mortgages on all properties with greater than six months history, the Borrower must have made all Mortgage Payments within the month due for the six months prior to case number assignment and have no more than one 30-Day late payment for the previous six months for all mortgages.

**A Borrower who was granted Mortgage Payment Forbearance must have:**

- Completed the Forbearance Plan on the subject property; and
- Made at least three consecutive mortgage payments within the month due on the mortgage since completing the Forbearance Plan.

The Borrower must have made the payments for all Mortgages secured by the subject Property for the month prior to mortgage Disbursement.

**(ii) Required Documentation**

If the Mortgage on the subject Property is not reported in the Borrower's credit report, the Mortgagee must obtain a verification of Mortgage to evidence payment history for the previous 12 months.

**Where a mortgage reflects payments under a Modification or Forbearance Plan within the 12 months prior to case number assignment, the Mortgagee must obtain:**

- a copy of the Modification or Forbearance Plan; and
- evidence of the payment amount and date of payments during the forbearance term.

**A Forbearance Plan is not required if the forbearance was due to the impacts of the COVID-19 National Emergency.**

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(continued)

### Streamline Refinances (II.A.8.d.vi(C)(2)(b))

#### (b) Payment History Requirements

##### (i) Standard

##### Non-Credit Qualifying

The Borrower must have made all Mortgage Payments for all Mortgages on the subject Property within the month due for the six months prior to case number assignment and have no more than one 30-Day late payment for the previous six months for all Mortgages on the subject Property. The Borrower must have made the payments for all Mortgages secured by the subject Property within the month due for the month prior to mortgage Disbursement

A Borrower who was granted Mortgage Payment Forbearance on the subject property is eligible for a Non Credit-Qualifying Streamline Refinance and considered to have acceptable Mortgage Payment History provided that, at the time of case number assignment, the Borrower has:

- Completed the Forbearance Plan on the subject property; and
- Made at least three consecutive monthly mortgage payments within the month due on the mortgage since completing the Forbearance Plan.

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##### Credit Qualifying

For all mortgages on all properties with less than six months of Mortgage Payment history, the Borrower must have made all payments within the month due.

For all mortgages on all properties with greater than six months of Mortgage Payment history, the Borrower must have made all Mortgage Payments within the month due for the six months prior to case number assignment and have no more than one 30-Day late payment for the previous six months.

The Borrower must have made the payments for all Mortgages secured by the subject Property within the month due for the month prior to mortgage Disbursement.

A Borrower who is still in mortgage payment forbearance at the time of case number assignment or has made less than three consecutive monthly mortgage payments within the month due since completing the Forbearance Plan, is eligible for a Credit Qualifying Streamline Refinance provided the Borrower:

- made all mortgage payments within the month due for the six months prior to forbearance; and
  - had no more than one 30-Day late payment for the previous six months.
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#### (ii) Required Documentation

If the Mortgage on the subject Property is not reported in the Borrower's credit report, the Mortgagee must obtain a verification of Mortgage to evidence payment history for the previous 12 months.

Where a mortgage reflects payments under a Modification or Forbearance Plan within the 12 months prior to case number assignment, the Mortgagee must obtain:

- a copy of the Modification or Forbearance Plan; and
- evidence of the payment amount and date of payments during the Agreement term

Documentation of a Forbearance Plan is not required if the forbearance was due to the impacts of the COVID-19 National Emergency.

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#### Financing Suspended Mortgage Payments due to Forbearance

Current Handbook guidance includes requirements for financing outstanding principal balance, interest due on the existing Mortgage, escrow shortage, and late charge amounts for all refinance transactions except, Streamline refinances. Suspended mortgage payments resulting from a payment forbearance will be included as part of the outstanding principal balance and the interest due amount reported on the payoff statement and are eligible to be included in the new refinance mortgage provided the maximum mortgage amount for the applicable refinance type is not exceeded.

Additionally, the ability to finance late charges and escrow shortages for streamline refinances is added.

#### (C) Streamline Refinances, (II.A.8.d.vi(C)(j))

##### (j) Maximum Mortgage Calculation for Streamline Refinances

###### (i) Standard

For owner-occupied Principal Residences and HUD-approved Secondary Residences, the maximum Base Loan Amount for Streamline Refinances is:

- the lesser of:
    - the outstanding principal balance of the existing Mortgage as of the month prior to mortgage Disbursement; plus:
      - interest due on the existing Mortgage;
      - late charges;
      - escrow shortages; and
      - MIP due on existing Mortgage; or
    - the original principal balance of the existing Mortgage (including financed UFMIP);
- less any refund of UFMIP.

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### Mortgage Lien Seasoning Requirements

Current Handbook guidance includes requirements for lien seasoning for streamline refinances including requirements for a minimum amount of payments to be made prior to a streamline refinance. Where a loan is under a Forbearance Plan and payments have not been made, such missed payments are not counted towards such minimum.

Additionally, the separate consideration for mortgage payments being made under a loan Modification Agreement is being added. Additionally, the separate consideration for mortgage payments being made under a Loan Modification Agreement is being added.

#### **(4) General Information Applicable to All Streamline Refinances**

**(a) Mortgage Seasoning Requirements** On the date of the FHA case number assignment:

- the Borrower must have made at least six payments on the FHA-insured Mortgage that is being refinanced (where the FHA insured Mortgage has been modified, the Borrower must have made at least six payments under the Modification Agreement);
- at least six full months must have passed since the first payment due date of the Mortgage that is being refinanced;
- at least 210 Days must have elapsed since the Closing Date of the Mortgage that is being refinanced; and
- if the Borrower assumed the Mortgage that is being refinanced, they must have made six payments since the time of assumption.

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### Questions

Any questions regarding this Mortgagee Letter may be directed to the FHA Resource Center at 1-800-CALL-FHA. Persons with hearing or speech impairments may reach this number by calling the Federal Relay Service at 1-800-877-8339. For additional information on this Mortgagee Letter, please visit [www.hud.gov/answers](http://www.hud.gov/answers).

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### Signature

Dana T. Wade  
Assistant Secretary for Housing –  
Federal Housing Commissioner